

## **Hospital payment system saves employers \$98 million per year**

The commission's hospital payment system, which became effective October 1, 2006, is saving South Carolina employers and insurance companies close to \$100 million per year, according to recent analysis by the commission.

"These are significant savings for employers. Charges are going up so rapidly in both the inpatient and outpatient setting that employers need the shield of the payment system," notes Gary Thibault, executive director of the agency.

According to figures provided by the health and demographics section of the state's Office of Research and Statistics, the number of workers' compensation cases treated by hospitals and ambulatory surgery centers declined 8.6 percent between 2000 and 2006. Over the same period, inpatient charges for workers' compensation cases increased nearly 141 percent, while outpatient charges increased by almost 225 percent.

Employers who sent their hospital bills to the commission for review by the agency were the most direct beneficiaries of the new payment system. Specifically, in calendar year 2007 the commission reviewed 753 bills for inpatient care, with total charges of \$27.9 million and total maximum allowable payments of \$7.2 million. Using statewide inpatient data for 2006, there were 2,535 admissions with total charges of \$99.5 million. Under the old hospital payment system, employers would have paid nearly \$85.5 million. Under the new payment system, they paid \$25.5 million. The new payment system reimburses hospitals 40 percent more than what Medicare pays them for the same services.

Similarly, the commission reviewed 6,899 bills for outpatient care in 2007 and these bills amounted to a total of \$79.7 million. Under the old payment system, employers would have paid \$70.1 million of these charges. Under the new payment system, they paid only \$31.6 million.

The commission reviewed approximately 8,000 hospital bills in 2006 for inpatient and outpatient care, or approximately 26 percent of all bills that year for inpatient and outpatient workers' compensation cases. From this large sample, the commission estimates the new payment system is saving employers close to \$100 million a year. This is a reasonable projection because the number and nature of workers' compensation cases does not change much from year to year.

"The commission's hospital payment system addresses one of the most significant problems in workers' compensation, considering that medical costs account for more than 50 percent of all workers' compensation costs," notes Mr. Thibault. Indeed, to quote the National Council on Compensation Insurance, "the rising cost of medical care is the major issue facing workers compensation stakeholders, now and for the foreseeable future."

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